

May 25, 2022

Financial Results for the Fiscal Year Ended March 31, 2022

Asahi Mutual Life Insurance Company (the “Company”; President: Hiroki Kimura) announces financial results for the fiscal year ended March 31, 2022

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1. Business Highlights

(1) Sum Insured of Policies in Force and New Policies

(i) Policies in Force

	As of March 31, 2021				As of March 31, 2022			
	Number of policies		Amount (100 millions of Yen)		Number of policies		Amount (100 millions of Yen)	
	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)	(Thousands)	Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	7,349	101.1	132,551	93.2	7,372	100.3	123,289	93.0
Individual annuities	506	95.3	20,603	93.9	479	94.6	19,388	94.1
Group insurance	-	-	14,475	99.6	-	-	14,034	97.0
Group annuities	-	-	154	95.4	-	-	131	85.0

Notes:

1. Policy amount for individual annuities are equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which annuity payments have not yet commenced and (b) the amount of policy reserves for an annuity for which payments have commenced.
2. Policy amount in force for group annuities is equal to the amount of outstanding policy reserves.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(ii) New Policies

	Year ended March 31, 2021					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	752	101.5	1,669	104.0	3,008	(1,338)
Individual annuities	-	-	(103)	-	-	(103)
Group insurance	-	-	322	258.8	322	-
Group annuities	-	-	-	-	-	-

	Year ended March 31, 2022					
	Number of policies		Amount (100 millions of Yen)			
	(Thousands)	Changes (%, YoY)		Changes (%, YoY)	New policies	Net increase by conversion
Individual insurance	724	96.3	1,692	101.4	3,033	(1,340)
Individual annuities	-	-	(51)	-	-	(51)
Group insurance	-	-	212	65.9	212	-
Group annuities	-	-	-	-	-	-

Notes:

1. Number of new policies is the sum of new policies and policies after conversion.
2. Amount of new policies for individual annuities, both new policies and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Number of policies includes number of each unit with regard to "Hoken-ou", "Hoken-ou Plus", etc.

(2) Annualized Premiums

(i) Policies in Force

(100 millions of Yen)

	As of March 31, 2021		As of March 31, 2022	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Individual insurance	3,889	99.3	3,830	98.5
Individual annuities	1,322	95.1	1,242	93.9
Total	5,212	98.2	5,072	97.3
Third-sector products	2,214	102.6	2,240	101.2

(ii) New Policies

(100 millions of Yen)

	Year ended March 31, 2021		Year ended March 31, 2022	
		Changes (%, YoY)		Changes (%, YoY)
Individual insurance	253	100.3	233	91.8
Individual annuities	(1)	–	(0)	–
Total	251	100.7	232	92.1
Third-sector products	209	101.3	193	92.2

Notes:

1. Annualized premiums are calculated by multiplying factors according to the premium payment method (for single premium contracts, the amount is calculated by dividing the premium by the coverage period).
2. Figures for third-sector products represent portion of annualized premiums corresponding to the medical benefits (hospitalization benefits, surgery benefits, etc.), living benefits (specific illness benefits, nursing care benefits, etc.) and waiver benefits (excluding disability benefits, but including specific illness benefits and nursing care benefits).

(3) Selected Financial Data

(100 millions of Yen)

	Year ended March 31, 2021		Year ended March 31, 2022	
		Changes (%, YoY)		Changes (%, YoY)
Premium and other income	3,914	99.4	3,871	98.9
Investment income	1,465	104.8	1,449	98.9
Claims and other payments	3,853	94.8	3,814	99.0
Investment expenses	345	80.9	366	106.1
Ordinary profit	366	117.9	323	88.2

(4) Proposed Appropriation of Surplus

(100 millions of Yen)

	Year ended March 31, 2021		Year ended March 31, 2022	
		Changes (%, YoY)		Changes (%, YoY)
Unappropriated surplus	475	122.3	566	119.0
Reversal of voluntary surplus reserves	1	47.6	-	-
Reserve for dividends to policyholders	21	120.0	21	98.5
Net surplus	132	100.1	132	100.5
Surplus carried forward	323	133.9	412	127.6

(5) Total Assets

(100 millions of Yen)

	As of March 31, 2021		As of March 31, 2022	
		Changes (%, Pre-FYE)		Changes (%, Pre-FYE)
Total assets	55,394	102.8	55,041	99.4

2. Investment Results of General Account Assets

(1) Asset Composition

(Millions of Yen)

	As of March 31, 2021		As of March 31, 2022	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	146,692	2.7	145,376	2.7
Monetary claims bought	25,094	0.5	22,534	0.4
Securities	4,586,013	83.2	4,539,235	82.9
Domestic bonds	2,708,646	49.1	2,621,140	47.9
Domestic stocks	438,359	8.0	464,670	8.5
Foreign securities	1,357,677	24.6	1,383,693	25.3
Foreign bonds	1,040,834	18.9	1,027,053	18.8
Foreign stocks and other foreign securities	316,842	5.7	356,640	6.5
Other securities	81,330	1.5	69,731	1.3
Loans	303,451	5.5	311,416	5.7
Policy loans	35,182	0.6	32,199	0.6
Industrial and consumer loans	268,268	4.9	279,217	5.1
Real estate	373,204	6.8	363,513	6.6
Deferred tax assets	-	-	-	-
Others	77,225	1.4	94,397	1.7
Allowance for possible loan losses	(406)	(0.0)	(550)	(0.0)
Total	5,511,274	100.0	5,475,924	100.0
Foreign currency-denominated assets	1,452,046	26.3	1,489,515	27.2

(2) Changes(Increases/Decreases) in Assets

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
	Amount	Amount
Cash, deposits, call loans	36,758	(1,315)
Monetary claims bought	(1,821)	(2,559)
Securities	232,608	(46,777)
Domestic bonds	(13,557)	(87,505)
Domestic stocks	155,886	26,311
Foreign securities	72,615	26,016
Foreign bonds	(23,058)	(13,781)
Foreign stocks and other foreign securities	95,673	39,797
Other securities	17,664	(11,599)
Loans	(74,461)	7,965
Policy loans	(5,371)	(2,983)
Industrial and consumer loans	(69,090)	10,948
Real estate	(4,666)	(9,690)
Deferred tax assets	(8,044)	-
Others	(33,351)	17,172
Allowance for possible loan losses	(15)	(143)
Total	147,005	(35,349)
Foreign currency-denominated assets	57,872	37,469

(3) Investment Income

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Interest, dividends and other income	118,111	120,531
Interest on deposits	0	0
Interest and dividends on securities	95,849	99,054
Interest on loans	4,639	4,241
Rent revenue from real estate	16,543	16,339
Other interest and dividends	1,078	895
Gains on sales of securities	15,249	11,949
Gains on sales of domestic bonds	9,357	4,943
Gains on sales of domestic stocks and other securities	3,331	6,238
Gains on sales of foreign securities	2,559	767
Others	-	-
Gains on redemption of securities	77	317
Gains on derivative financial instruments, net	-	-
Foreign exchange gains, net	387	3,065
Reversal of allowance for possible loan losses	-	-
Other investment income	6,968	6,919
Total	140,794	142,783

(4) Investment Expenses

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Interest expenses	4,470	4,876
Losses on trading securities	485	1,133
Losses on sales of securities	5,520	11,177
Losses on sales of domestic bonds	892	1,073
Losses on sales of domestic stocks and other securities	1,893	1,448
Losses on sales of foreign securities	2,733	8,655
Others	-	-
Losses on valuation of securities	19	273
Losses on valuation of domestic bonds	-	-
Losses on valuation of domestic stocks and other securities	17	272
Losses on valuation of foreign securities	1	1
Others	-	-
Losses on redemption of securities	65	48
Losses on derivative financial instruments, net	8,898	2,510
Foreign exchange losses, net	-	-
Provision for allowance for possible loan losses	10	141
Write-offs of loans	0	0
Depreciation of rental real estate and other assets	5,503	5,511
Other investment expenses	9,584	10,981
Total	34,559	36,655

(5) Investment Indicators

(i) Rates of Return

(%)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash, deposits, call loans	0.00	0.00
Monetary claims bought	2.32	2.34
Securities	2.27	2.28
Domestic bonds	1.74	1.68
Domestic stocks	5.12	6.34
Foreign securities	2.86	2.45
Loans	1.30	1.40
Industrial and consumer loans	0.96	1.06
Real estate	2.56	2.46
Total	2.04	2.04
Foreign Investments	2.85	2.43

Notes:

1. Rates of return above are calculated by dividing the net investment income by the average daily book value balance.
2. Foreign investments are the sum of assets denominated in foreign currencies and yen.

(ii) Average Daily Balance

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash, deposits, call loans	105,234	106,446
Monetary claims bought	26,061	23,837
Securities	4,258,555	4,286,937
Domestic bonds	2,723,696	2,654,208
Domestic stocks	198,007	217,716
Foreign securities	1,259,277	1,343,961
Loans	339,249	303,923
Industrial and consumer loans	300,816	270,218
Real estate	381,121	375,154
Total	5,212,798	5,201,254
Foreign Investments	1,261,305	1,354,372

Note: Foreign investments are the sum of assets denominated in foreign currencies and yen.

(iii) Net Valuation Gains/Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2021		As of March 31, 2022	
	Amount	Net valuation gains(losses) included in the statements of income	Amount	Net valuation gains(losses) included in the statements of income
Trading securities	-	-	-	-

(iv) Fair Value Information on Securities (other than trading securities)

(Millions of Yen)

	As of March 31, 2021					As of March 31, 2022				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	321,005	360,399	39,394	39,400	(6)	301,647	333,640	31,992	32,001	(8)
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933	226,245	(10,311)	2,028,714	2,159,139	130,424	169,489	(39,065)
Stocks of subsidiaries	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	1,896,266	2,176,827	280,561	316,801	(36,239)	1,912,317	2,135,750	223,432	300,935	(77,503)
Domestic bonds	513,117	527,705	14,587	17,240	(2,653)	468,248	467,355	(893)	6,409	(7,302)
Domestic stocks	175,768	403,715	227,947	240,553	(12,605)	166,694	413,036	246,341	259,795	(13,453)
Foreign securities	1,130,861	1,163,145	32,283	52,419	(20,135)	1,208,339	1,184,814	(23,525)	31,335	(54,860)
Foreign bonds	853,897	885,834	31,936	46,194	(14,257)	904,300	872,053	(32,247)	11,095	(43,342)
Foreign stocks and other foreign securities	276,964	277,311	347	6,225	(5,877)	304,039	312,761	8,721	20,239	(11,518)
Other securities	75,636	81,291	5,655	6,500	(845)	68,202	69,587	1,384	3,271	(1,886)
Monetary claims bought	882	969	86	86	-	833	957	123	123	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,256,332	4,792,221	535,889	582,446	(46,557)	4,242,680	4,628,529	385,849	502,426	(116,576)
Domestic bonds	2,694,058	2,931,420	237,362	250,333	(12,971)	2,622,033	2,756,333	134,299	180,668	(46,368)
Domestic stocks	175,768	403,715	227,947	240,553	(12,605)	166,694	413,036	246,341	259,795	(13,453)
Foreign securities	1,285,861	1,348,378	62,516	82,651	(20,135)	1,363,339	1,365,318	1,978	56,839	(54,860)
Foreign bonds	1,008,897	1,071,066	62,168	76,426	(14,257)	1,059,300	1,052,556	(6,743)	36,599	(43,342)
Foreign stocks and other foreign securities	276,964	277,311	347	6,225	(5,877)	304,039	312,761	8,721	20,239	(11,518)
Other securities	75,636	81,291	5,655	6,500	(845)	68,202	69,587	1,384	3,271	(1,886)
Monetary claims bought	25,007	27,415	2,408	2,408	-	22,410	24,255	1,844	1,852	(8)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Notes:

- The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.
- The table above excludes stocks, investments in partnerships and others without a market price.

* Book value of stocks, investments in partnerships and others without a market price is as follows:

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Stocks of subsidiaries	21,367	37,377
Available-for-sale securities	52,584	54,874
Domestic stocks	13,275	14,257
Foreign stocks	11	11
Others	39,297	40,605
Total	73,952	92,251

(v) Fair Value Information on Money Held in Trust

The Company doesn't hold money held in trust.

(6) Fair Value Information on Real estate (land)

(Millions of Yen)

	As of March 31, 2021			As of March 31, 2022		
	Book value	Fair value	Gains/losses	Book value	Fair value	Gains/losses
Land	225,244	288,073	62,828	220,186	285,692	65,505

Notes:

1. Fair Value is calculated based on appraisal value for property tax and others.
2. The amount above includes leasehold.

(Reference)

Fair value information on securities including stocks, investments in partnerships and others without a market price is as follows:

(Millions of Yen)

	As of March 31, 2021					As of March 31, 2022				
	Book value	Fair value	Gains/losses			Book value	Fair value	Gains/losses		
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	321,005	360,399	39,394	39,400	(6)	301,647	333,640	31,992	32,001	(8)
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933	226,245	(10,311)	2,028,714	2,159,139	130,424	169,489	(39,065)
Stocks of subsidiaries	21,367	21,367	-	-	-	37,377	37,377	-	-	-
Available-for-sale securities	1,948,851	2,229,674	280,822	317,280	(36,457)	1,967,191	2,194,030	226,838	304,350	(77,512)
Domestic bonds	513,117	527,705	14,587	17,240	(2,653)	468,248	467,355	(893)	6,409	(7,302)
Domestic stocks	189,044	416,991	227,947	240,553	(12,605)	180,951	427,293	246,341	259,795	(13,453)
Foreign securities	1,170,164	1,202,677	32,512	52,865	(20,352)	1,248,812	1,228,693	(20,118)	34,750	(54,869)
Foreign bonds	853,897	885,834	31,936	46,194	(14,257)	904,300	872,053	(32,247)	11,095	(43,342)
Foreign stocks and other foreign securities	316,266	316,842	576	6,671	(6,095)	344,512	356,640	12,128	23,655	(11,527)
Other securities	75,642	81,330	5,687	6,533	(845)	68,346	69,731	1,384	3,271	(1,886)
Monetary claims bought	882	969	86	86	-	833	957	123	123	-
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	4,330,284	4,866,435	536,150	582,926	(46,775)	4,334,931	4,724,187	389,255	505,841	(116,585)
Domestic bonds	2,694,058	2,931,420	237,362	250,333	(12,971)	2,622,033	2,756,333	134,299	180,668	(46,368)
Domestic stocks	210,411	438,359	227,947	240,553	(12,605)	218,328	464,670	246,341	259,795	(13,453)
Foreign securities	1,325,164	1,387,909	62,745	83,098	(20,352)	1,403,812	1,409,197	5,384	60,254	(54,869)
Foreign bonds	1,008,897	1,071,066	62,168	76,426	(14,257)	1,059,300	1,052,556	(6,743)	36,599	(43,342)
Foreign stocks and other foreign securities	316,266	316,842	576	6,671	(6,095)	344,512	356,640	12,128	23,655	(11,527)
Other securities	75,642	81,330	5,687	6,533	(845)	68,346	69,731	1,384	3,271	(1,886)
Monetary claims bought	25,007	27,415	2,408	2,408	-	22,410	24,255	1,844	1,852	(8)
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes assets which are considered appropriate to deem as securities under the Financial Instruments and Exchange Act.

3. Unaudited Non-consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Assets:		
Cash and deposits:	35,368	35,852
Cash	15	20
Deposits	35,352	35,832
Call loans	113,000	111,000
Monetary claims bought	25,094	22,534
Securities:	4,612,320	4,565,837
National government bonds	1,692,106	1,669,691
Local government bonds	49,130	50,540
Corporate bonds	973,538	907,641
Domestic stocks	447,371	472,584
Foreign securities	1,368,844	1,395,647
Other securities	81,330	69,731
Loans:	303,451	311,416
Policy loans	35,182	32,199
Industrial and consumer loans	268,268	279,217
Tangible fixed assets:	377,849	368,550
Land	221,081	216,027
Buildings	150,533	146,310
Lease assets	1,459	2,194
Construction in progress	1,589	1,175
Other tangible fixed assets	3,186	2,841
Intangible fixed assets:	26,797	28,743
Software	17,722	18,928
Other intangible fixed assets	9,075	9,815
Agency accounts receivable	14	11
Reinsurance receivables	987	393
Other assets:	44,692	60,054
Accounts receivable	7,278	22,778
Prepaid expenses	4,027	3,517
Accrued income	20,230	20,077
Money on deposit	2,898	3,044
Derivative financial instruments	1,949	960
Cash collateral paid for financial instruments	6,202	7,513
Suspense payments	677	861
Other assets	1,427	1,300
Prepaid pension cost	233	318
Customers' liabilities under acceptances and guarantees	1	-
Allowance for possible loan losses	(406)	(550)
Total assets	5,539,404	5,504,161

3. Unaudited Non-consolidated Balance Sheets (Continued)

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities:		
Policy reserves and other reserves:	4,477,995	4,425,731
Reserve for outstanding claims	28,572	32,018
Policy reserves	4,419,372	4,365,068
Reserve for dividends to policyholders	30,050	28,644
Reinsurance payables	680	752
Bonds payable	127,773	102,424
Other liabilities:	292,817	375,938
Payables under securities borrowing transactions	178,810	179,548
Loans payable	41,000	41,000
Income taxes payable	5,042	4,474
Accounts payable	4,422	27,340
Accrued expenses	8,424	7,639
Deferred income	186	202
Deposits received	631	415
Guarantee deposits received	17,533	17,831
Derivative financial instruments	33,471	90,445
Cash collateral received for financial instruments	896	3,791
Lease obligations	1,459	2,194
Asset retirement obligations	851	914
Suspense receipts	87	140
Reserve for employees' retirement benefits	30,856	29,847
Reserve for price fluctuation	45,680	48,210
Deferred tax liabilities	22,826	3,622
Deferred tax liabilities for land revaluation	16,268	15,711
Acceptances and guarantees	1	-
Total liabilities	5,014,899	5,002,238
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Surplus:	99,378	117,444
Reserve for future losses	328	347
Other surplus:	99,050	117,097
Reserve for fund redemption	44,400	53,500
Equalized reserve for dividends to policyholders	7,091	6,983
Unappropriated surplus (loss)	47,558	56,614
Total foundation funds and others	356,660	374,726
Net unrealized gains (losses) on available-for-sale securities, net of tax	213,200	173,936
Land revaluation differences	(45,354)	(46,739)
Total valuation and translation adjustments	167,845	127,197
Total net assets	524,505	501,923
Total liabilities and net assets	5,539,404	5,504,161

4. Unaudited Non-consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	600,713	597,910
Premium and other income:	391,410	387,134
Insurance premiums	388,896	385,691
Reinsurance revenue	2,514	1,443
Investment income:	146,534	144,983
Interest, dividends and other income:	118,111	120,531
Interest and dividends on securities	95,849	99,054
Interest on loans	4,639	4,241
Rent revenue from real estate	16,543	16,339
Other interest and dividends	1,078	895
Gains on sales of securities	15,249	11,949
Gains on redemption of securities	77	317
Foreign exchange gains	387	3,065
Other investment income	6,968	6,919
Investment gains on separate accounts	5,740	2,199
Other ordinary income:	62,767	65,792
Fund receipt from deposit of claims paid	8,927	8,135
Reversal of reserve for employees' retirement benefits	1,677	1,008
Reversal of reserve for outstanding claims	806	-
Reversal of policy reserves	48,624	54,304
Other ordinary income	2,732	2,343
Ordinary expenses:	564,083	565,605
Claims and other payments:	385,384	381,466
Claims	112,015	107,517
Annuities	122,158	116,767
Benefits	68,241	72,938
Surrender benefits	77,538	79,236
Other payments	3,158	2,403
Reinsurance premiums	2,272	2,602
Provision for policy reserves and other reserves:	3	3,449
Provision for reserve for outstanding claims	-	3,446
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	34,559	36,655
Interest expenses	4,470	4,876
Losses on trading securities	485	1,133
Losses on sales of securities	5,520	11,177
Losses on valuation of securities	19	273
Losses on redemption of securities	65	48
Losses on derivative financial instruments	8,898	2,510
Provision for allowance for possible loan losses	10	141
Depreciation of rental real estate and other assets	5,503	5,511
Other investment expenses	9,584	10,981
Operating expenses	110,323	110,388
Other ordinary expenses:	33,812	33,646
Claim deposit payments	10,491	9,859
Taxes	9,126	9,345
Depreciation	12,181	12,354
Other ordinary expenses	2,013	2,086
Ordinary profit	36,629	32,305
Extraordinary gains:	275	2,928
Gains on disposal of fixed assets	146	2,925
Other extraordinary gains	129	3
Extraordinary losses:	8,602	6,561
Losses on disposal of fixed assets	1,481	2,751
Impairment losses	2,971	1,149
Provision for reserve for price fluctuation	2,450	2,530
Losses on reduction entry of real estate	5	-
Other extraordinary losses	1,694	130
Surplus before income taxes	28,302	28,671
Income taxes-current	10,122	10,788
Income taxes-deferred	(5,084)	(5,041)
Total income taxes	5,038	5,747
Net surplus	23,263	22,924

I. Presentation of Unaudited Non-consolidated Financial Statements

Basis of Presentation

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

II. Notes to Unaudited Non-consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in subsidiaries and affiliates are stated at cost.
- v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between

acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA).

Since the fiscal year ended March 31, 2022, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a “Term of future 30 years” to a “Whole period” for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This change did not have any effects on the non-consolidated balance sheet and non-consolidated statement of income as of and for the fiscal year ended March 31, 2022.

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

- Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off as of March 31, 2022 was ¥24 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Reserve for employees' retirement benefits and prepaid pension cost are presented for the employees' retirement benefits based on projected benefit obligation and pension plan assets at the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.

■ Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company accounts for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) is recorded in principle for insurance policies for which insurance premium has been received and the insurer’s liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims is set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events has not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

(14) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

Regarding policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Impairment losses of tangible fixed assets

Impairment losses of the Company's tangible fixed assets are calculated by the following methods.

i) Calculation method

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

The Company identifies signs of impairment losses in asset groups when earnings from business operations using the asset groups continuously become negative.

As for asset groups for which signs of impairment losses are identified, when total amounts of undiscounted net future cash flows from the asset groups are less than their book values, the Company recognizes impairment losses and reduce the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the discounted present value of estimated net future cash flows and discount rate used in the calculation is based on the cost of capital.

Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

ii) Key assumptions

Key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are usage plans considering current status of use of asset groups, including tenancy rates, rents and others. These assumptions may be affected by economic condition and changes specific to asset groups.

iii) Effects on financial statements for the following fiscal year

While the Company considers key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are best estimate based on available information including external information, impairment losses may occur in the following fiscal year due to future uncertainties.

Furthermore, the appraisal value in accordance with “Real Estate Appraisal Standards” may be affected by future real estate market trends. In case that net realizable value decreases as a result of this, impairment losses may occur in the following fiscal year.

(16) Software

Capitalized software for internal use owned by the Company is amortized using the straight-line method over the estimated useful lives.

2. Accounting Changes

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) and others from the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively. As a result, available-for-sale securities, of which domestic listed stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are changed to be stated at fair value based on the market prices at the balance sheet date from fair value based on the average of the market prices during the final month of the fiscal year.

In determining to recognize impairment losses on available-for-sale securities, the Company has used fair value based on the average of market prices during the final month of fiscal year as before.

3. Accounting Standards Issued but Not Yet Effective

The Company and part of its subsidiaries made a request for approval for the application of the group tax sharing system in December 2021 and it is decided to be applied from the fiscal year ending March 31, 2023.

The accounting standard and relevant implementation guidance issued by the fiscal year-end but not yet effective is the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42) and its contents are as follows:

i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

ii) Schedule date of application

The practical solution is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

iii) Effects of application of the practical solution

The effects of the application are under assessment at the time of preparing these non-consolidated financial statements.

4. Changes in Reporting Method

Following the revision of the Enforcement Regulation of the Insurance Business Act, claims to be disclosed are classified in the revised categories in the following “Note 9. Claims”.

5. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

	Millions of Yen		
	As of March 31, 2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 22,534	¥ 24,255	¥ 1,720
Held-to-maturity debt securities	21,577	23,297	1,720
Available-for-sale securities	957	957	-
Securities	4,470,179	4,630,876	160,696
Trading securities	26,601	26,601	-
Held-to-maturity debt securities	280,070	310,342	30,272
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424
Available-for-sale securities	2,134,792	2,134,792	-
Loans	311,416	317,500	6,083
Policy loans	32,199	32,199	-
Industrial and consumer loans	279,217	285,301	6,083
Total assets	4,804,130	4,972,631	168,501
Bonds payable	102,424	103,200	776
Loans payable	41,000	42,260	1,260
Total liabilities	143,424	145,460	2,036
Derivative financial instruments	(89,485)	(89,485)	-
Hedge accounting not applied	(2,555)	(2,555)	-
Hedge accounting applied	(86,930)	(86,930)	-

*Assets and liabilities generated by derivative financial instruments are offset and presented net.
Net liabilities in total are presented in parentheses.

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheet was ¥51,645 million as of March 31, 2022.

Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The amount of the investments in partnerships and others, reported in the non-consolidated balance sheet was ¥44,012 million as of March 31, 2022.

6. Matters concerning fair value of major financial instruments and breakdown by input level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those

inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

(1) Financial assets and liabilities recorded at fair values on the non-consolidated balance sheet

	Millions of Yen			
	As of March 31, 2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ -	¥ 957	¥ 957
Available-for-sale securities	-	-	957	957
Securities *1	580,435	1,169,127	29,482	1,779,045
Trading securities	24,719	1,882	-	26,601
National government bonds and local government bonds	5,830	-	-	5,830
Corporate bonds	-	902	-	902
Domestic stocks	7,914	-	-	7,914
Foreign stocks	8,269	-	-	8,269
Foreign bonds	2,705	979	-	3,684
Available-for-sale securities	555,716	1,167,245	29,482	1,752,444
National government bonds and local government bonds	39,829	685	-	40,514
Corporate bonds	-	426,840	-	426,840
Domestic stocks	413,036	-	-	413,036
Foreign bonds	102,850	739,719	29,482	872,053
Total assets	580,435	1,169,127	30,440	1,780,003
Derivative financial instruments *2	-	(89,755)	270	(89,485)
Currency-related	-	(89,755)	-	(89,755)
Interest-related	-	-	270	270

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above.

The balance sheet amount of the investment trusts was ¥382,348 million as of March 31, 2022.

*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(2) Financial assets and liabilities not recorded at fair values on the non-consolidated balance sheet

	Millions of Yen							
	As of March 31, 2022							
	Fair Value							
	Level 1	Level 2	Level 3	Total				
Monetary claims bought	¥	–	¥	–	¥	23,297	¥	23,297
Held-to-maturity debt securities		–		–		23,297		23,297
Securities		1,752,190		592,381		124,909		2,469,481
Held-to-maturity debt securities		36,939		148,494		124,909		310,342
National government bonds and local government bonds		36,939		–		–		36,939
Corporate bonds		–		92,900		–		92,900
Foreign bonds		–		55,594		124,909		180,503
Policy-reserve-matching bonds		1,715,251		443,887		–		2,159,139
National government bonds and local government bonds		1,715,251		51,082		–		1,766,334
Corporate bonds		–		392,804		–		392,804
Loans		–		–		317,500		317,500
Policy loans		–		–		32,199		32,199
Industrial and consumer loans		–		–		285,301		285,301
Total assets		1,752,190		592,381		465,707		2,810,279
Bonds payable		–		103,200		–		103,200
Loans payable		–		–		42,260		42,260
Total liabilities		–		103,200		42,260		145,460

(3) Description of the evaluation methods and inputs used to measure fair value

i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

Fair values of investment trusts are measured at the disclosed net asset value and others. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not categorized into any level.

ii) Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company considers book value as fair value

with assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms. Policy loans are categorized as level 3.

As for industrial and consumer loans, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value by type of loan, using market interest rates with some adjustments based on internal credit rating. Industrial and consumer loans are categorized as level 3. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs. Loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers are categorized as level 3.

iii) Bonds payable

The fair value of bonds payable issued by the Company is stated at fair market value. Bonds payable issued by the Company are categorized as level 2. The fair value of bonds payable for which designated hedge accounting (“Furiate-shori”) for currency swaps are applied is stated at fair market value added by the fair value of currency swaps. The Company adopts prices obtained from external information vendors as the fair value of currency swaps.

iv) Loans payable

As for loans payable, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value, using market interest rates with some adjustments based on the Company’s credit risk. Loans payable are categorized as level 3.

v) Derivative financial instruments

As for derivative financial instruments, the fair values of foreign currency forward contracts are stated at theoretical prices calculated by the Company based on the TTM at the balance sheet date. The fair values of currency options, stock options and interest rate swaptions are stated at the quoted prices offered by counterparty financial institutions.

In evaluation of derivative financial instruments, the Company maximizes the use of observable inputs. In the case unobservable inputs are not used or impact of unobservable inputs are not material, derivative financial instruments are categorized as level 2. In the case significant unobservable inputs are used, derivative financial instruments are categorized as level 3.

(4) Quantitative information about financial assets and liabilities measured and stated in the non-consolidated balance sheet at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

Quoted prices obtained from third parties are used for fair values categorized as level 3 without adjustment.

ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year

Year ended March 31, 2022	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities	Total (i) + (ii)	
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	¥ 969	¥ 26,853	¥ 27,822	¥ -
Gains (losses) and net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year:	16	75	91	(24)
Gains (losses) recorded for the fiscal year *1	(20)	2,406	2,385	(24)
Net unrealized gains (losses) on available-for-sale securities, net of tax recorded for the fiscal year	36	(2,330)	(2,293)	-
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	-	-	-	-
Transfer from fair values of Level 3 *2	-	(8,157)	(8,157)	-
Ending balance	957	29,482	30,440	270
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	-	2,406	2,406	(24)

*1 Those amounts are included in investment income and investment expenses in the non-consolidated statement of income.

*2 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

iii) Description of the fair value evaluation process

The Company establishes policies and procedures for measuring the fair value in the actuarial and accounting department and the risk management department. In accordance with these policies and procedures, the risk management department measures the fair value. The validity of the evaluation methods and inputs used to measure fair value and the appropriateness of categorization of fair value are verified in the independent division in the risk management department.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used. In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of evaluation method and used inputs and comparison with the fair values of similar financial instruments.

7. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥242,418 million and ¥285,844 million as of March 31, 2022. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

8. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥218,367 million as of March 31, 2022.

9. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥609 million as of March 31, 2022.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million as of March 31, 2022.
- ii) Claims with collection risk were ¥70 million as of March 31, 2022.
- iii) Delinquent loans three or more months past due were ¥66 million as of March 31, 2022.
- iv) Restructured loans were ¥20 million as of March 31, 2022.

Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.

Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors and claims with collection risk.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes claims classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk and delinquent loans three or more months past due.

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥24 million as of March 31, 2022.

10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥286,537 million as of March 31, 2022.

11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,175 million as of March 31, 2022. The amounts of separate account liabilities were the same as separate account assets.

12. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥386 million and ¥2,158 million as of March 31, 2022.

13. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2022</u>
Deferred tax assets	¥ 68,186
Valuation allowance for deferred tax assets	13,897
Subtotal	<u>54,288</u>
Deferred tax liabilities	<u>57,911</u>
Net deferred tax assets (liabilities)	<u>¥ (3,622)</u>

Major components of deferred tax assets/liabilities were as follows:

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2022</u>
Deferred tax assets	
Contingency reserve	¥ 21,731
Reserve for price fluctuation	13,450
Reserve for employees' retirement benefits	8,327
Impairment losses	7,223
Net unrealized losses on available-for-sale securities	<u>4,394</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 56,416</u>

(2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2022. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2022</u>
Interest on foundation funds	(4.0)%
Change of valuation allowance for deferred tax assets	(3.2)%

14. Reserve for Dividends to Policyholders

	Millions of Yen
	Year ended
	March 31, 2022
Balance at the beginning of the fiscal year	¥ 30,050
Transfer to reserve from surplus in the previous fiscal year	2,153
Dividends to policyholders paid out during the fiscal year	3,562
Increase in interest	3
Balance at the end of the fiscal year	¥ 28,644

15. Stocks of Subsidiaries and Affiliates

The amount of stocks of subsidiaries and affiliates the Company held as of March 31, 2022 was 37,377 million.

The Company provided capital of ¥17,000 million to Nanairo Life Insurance Co., Ltd. on April 15, 2022.

16. Pledged Assets

Assets pledged as collateral as of March 31, 2022 were securities in the amount of ¥80,591 million.

17. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) was ¥9 million as of March 31, 2022.

Policy reserves for the reinsurance contracts provided in accordance with Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “policy reserves for ceded reinsurance”) were ¥373 million as of March 31, 2022.

18. Adjustment to Redemption of Foundation Funds and Appropriation of Net Surplus

The total amount of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act was ¥174,218 million as of March 31, 2022.

19. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market value of these assets that were not sold or pledged as collateral as of March 31, 2022 was ¥25,709 million. No assets were pledged as collateral as of March 31, 2022.

20. Commitment Line

As of March 31, 2022, there were unused commitment line agreements under which the Company is the lender of ¥13,947 million.

21. Subordinated Bonds Payable

As of March 31, 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

22. Subordinated Loans Payable

As of March 31, 2022, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

23. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2022 were ¥8,260 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

24. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

As defined benefit plan, the Company has defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2022</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 40,365
Service cost	1,808
Interest cost	403
Actuarial difference occurred during the fiscal year	514
Retirement benefit payments	<u>(3,602)</u>
Retirement benefit obligations at the end of the fiscal year	<u>¥ 39,489</u>

ii) Reconciliation of beginning and ending balance of pension plan assets

	Millions of Yen
	Year ended
	March 31, 2022
Pension plan assets at the beginning of the fiscal year	¥ 7,912
Expected return on pension plan assets	62
Actuarial difference occurred during the fiscal year	(809)
Contributions by the employer	155
Retirement benefit payments	(197)
Pension plan assets at the end of the fiscal year	¥ 7,123

iii) Reconciliation of retirement benefit obligation and pension plan assets with reserve for employees' retirement benefits and prepaid pension cost presented on the non-consolidated balance sheet

	Millions of Yen
	As of
	March 31, 2022
a. Funded plan retirement benefit obligation	¥ 39,489
b. Pension plan assets	(7,123)
c. (a + b)	32,365
d. Unrecognized actuarial differences	(2,836)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	29,529
f. Reserve for employees' retirement benefits	29,847
g. Prepaid pension cost	(318)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 29,529

iv) Breakdown of retirement benefit expenses

	Millions of Yen
	Year ended
	March 31, 2022
Service cost	¥ 1,808
Interest cost	403
Expected return on pension plan assets	(62)
Amortization of actuarial differences	317
Retirement benefit expenses related to defined benefit plan	¥ 2,466

v) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

	As of
	March 31, 2022
Stocks	38%
Bonds	10%
Others	52%
Total	100%

vi) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2022</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.8%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Non-consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥623 million and ¥9,338 million for the fiscal year ended March 31, 2022.

2. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2022</u>
Domestic bonds	¥ 4,943
Domestic stocks and other securities	6,238
Foreign securities	767

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2022</u>
Domestic bonds	¥ 1,073
Domestic stocks and other securities	1,448
Foreign securities	8,655

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u> <u>Year ended</u> <u>March 31, 2022</u>
Domestic stocks and other securities	¥ 272
Foreign securities	1

Losses on trading securities were losses on sales of ¥1,133 million for the fiscal year ended March 31, 2022.

Losses on derivative financial instruments included net valuation gains of ¥641 million for the fiscal year ended March 31, 2022.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was deducted in calculating provision for reserve for outstanding claims for the fiscal year ended March 31, 2022 was ¥2 million.

Provision for policy reserves for ceded reinsurance, which was added in calculating reversal of policy reserves for the fiscal year ended March 31, 2022 was ¥13 million.

4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2022, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

The method of grouping is described in “Note 1. (15) Impairment losses of tangible fixed assets” of the non-consolidated balance sheet.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, real estate not in use and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2022</u>
Real estate for rent:	
Land	¥ -
Building	-
Total real estate for rent (i)	<u>-</u>
Real estate not in use:	
Land	622
Building	526
Total real estate not in use (ii)	<u>1,149</u>
Real estate scheduled to be sold:	
Land	-
Building	-
Total real estate scheduled to be sold (iii)	<u>-</u>
Total:	
Land	622
Building	526
Total (i) + (ii) + (iii)	<u>¥ 1,149</u>

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.3% for the fiscal year ended March 31, 2022. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

5. Breakdown of Ordinary Profit (Fundamental Profit)

(Millions of Yen)

		Year ended March 31, 2021	Year ended March 31, 2022
Fundamental profit	A	46,539	47,782
Capital gains		15,637	15,015
Gains on money held in trust		-	-
Gains on trading securities		-	-
Gains on sales of securities		15,249	11,949
Gains on derivative financial instruments		-	-
Foreign exchange gains		387	3,065
Other capital gains		-	-
Capital losses		14,924	15,095
Losses on money held in trust		-	-
Losses on trading securities		485	1,133
Losses on sales of securities		5,520	11,177
Losses on valuation of securities		19	273
Losses on derivative financial instruments		8,898	2,510
Foreign exchange losses		-	-
Other capital losses		-	-
Net capital gains (losses)	B	712	(79)
Fundamental profit plus net capital gains (losses)	A + B	47,252	47,702
Other one-time gains		43	44
Reinsurance revenue		-	-
Reversal of contingency reserve		-	-
Reversal of specific allowance for possible loan losses		43	44
Others		-	-
Other one-time losses		10,666	15,441
Reinsurance premiums		-	-
Provision for contingency reserve		10,666	15,441
Provision for specific allowance for possible loan losses		-	-
Provision for allowance for specified overseas loans		-	-
Write-offs of loans		0	0
Others		-	-
Net other one-time gains (losses)	C	(10,622)	(15,397)
Ordinary profit	A + B + C	36,629	32,305

6. Unaudited Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2021

(Millions of Yen)

	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus				Total surplus	Total foundation funds and others
				Reserve for future losses	Other surplus				
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	91,000	166,000	281	310	35,300	7,318	38,890	81,819	339,100
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,794)	(1,794)	(1,794)
Additions to reserve for future losses				18			(18)		
Payment of interest on foundation funds							(4,081)	(4,081)	(4,081)
Net surplus							23,263	23,263	23,263
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(227)	227		
Reversal of land revaluation differences							171	171	171
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	-	-	-	18	9,100	(227)	8,668	17,559	17,559
Ending balance	91,000	166,000	281	328	44,400	7,091	47,558	99,378	356,660

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	97,625	(45,183)	52,442	391,543
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,794)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,081)
Net surplus				23,263
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				171
Net changes, excluding foundation funds and others	115,574	(171)	115,403	115,403
Net changes in the fiscal year	115,574	(171)	115,403	132,962
Ending balance	213,200	(45,354)	167,845	524,505

Year ended March 31, 2022

(Millions of Yen)

	Foundation funds and others									
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total surplus	Total foundation funds and others
				Reserve for future losses	Other surplus					
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)			
Beginning balance	91,000	166,000	281	328	44,400	7,091	47,558	99,378	356,660	
Changes in the fiscal year:										
Additions to reserve for dividends to policyholders							(2,153)	(2,153)	(2,153)	
Additions to reserve for future losses				19			(19)			
Payment of interest on foundation funds							(4,089)	(4,089)	(4,089)	
Net surplus							22,924	22,924	22,924	
Additions to reserve for fund redemption					9,100		(9,100)			
Reversal of equalized reserve for dividends to policyholders						(108)	108			
Reversal of land revaluation differences							1,384	1,384	1,384	
Net changes, excluding foundation funds and others										
Net changes in the fiscal year	-	-	-	19	9,100	(108)	9,055	18,066	18,066	
Ending balance	91,000	166,000	281	347	53,500	6,983	56,614	117,444	374,726	

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	213,200	(45,354)	167,845	524,505
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,153)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,089)
Net surplus				22,924
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1,384
Net changes, excluding foundation funds and others	(39,264)	(1,384)	(40,648)	(40,648)
Net changes in the fiscal year	(39,264)	(1,384)	(40,648)	(22,582)
Ending balance	173,936	(46,739)	127,197	501,923

7. Unaudited Non-consolidated Statements of Proposed Appropriation of Surplus

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Unappropriated surplus (loss)	47,558	56,614
Reversal of voluntary surplus reserves	108	–
Reversal of equalized reserve for dividends to policyholders	108	–
Total	47,667	56,614
Appropriation of surplus (loss)	15,361	15,390
Reserve for dividends to policyholders	2,153	2,121
Net surplus (loss)	13,208	13,269
Reserve for future losses	19	19
Interest on foundation funds	4,089	4,040
Voluntary surplus reserves	9,100	9,210
Reserve for fund redemption	9,100	9,100
Equalized reserve for dividends to policyholders	–	110
Surplus (loss) carried forward	32,305	41,223

8. Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2021	As of March 31, 2022
Claims against bankrupt and quasi-bankrupt obligors	437	453
Claims with collection risk	139	70
Delinquent loans three or more months past due	98	66
Restructured loans	20	20
Subtotal	694	609
(Percentage of total)	(0.12)	(0.11)
Claims against normal obligors	569,541	530,361
Total	570,236	530,971

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, other than the claims described in note 1. above.
3. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, other than the claims described in note 1. or 2. above.
4. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses, other than the claims described in note 1., 2. or 3. above.
5. Claims against normal obligors are all other claims.

9. Solvency Margin Ratio

(Millions of Yen)

		As of March 31, 2021	As of March 31, 2022
Total solvency margin	(A)	1,063,948	1,009,231
Foundation funds and surplus		350,417	368,564
Reserve for price fluctuation		45,680	48,210
Contingency reserve		62,448	77,889
General allowance for possible loan losses		100	286
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)		252,740	204,154
Net unrealized gains on land × 85% (in case of losses: × 100%)		28,681	29,306
Excess amount of policy reserves based on full-time Zillmer method		141,363	145,556
Qualifying subordinated debt		167,173	141,424
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin		–	–
Deduction		–	(25,000)
Others		15,343	18,839
Total amount of risk	$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	218,912	211,372
Insurance risk	R_1	12,613	12,078
Third sector insurance risk	R_8	10,446	10,727
Risk of assumed yield	R_2	69,446	66,749
Minimum guarantee risk	R_7	1,040	1,027
Investment risk	R_3	142,459	137,767
Operational risk	R_4	4,720	4,567
Solvency margin ratio	$(A) / \{(1/2) \times (B)\} \times 100$	972.0%	954.9%

Notes:

- The figures above are calculated based on Articles 86 and 87 of the Enforcement Regulation of the Insurance Business Act and the Public Notice No. 50 of the Ministry of Finance of 1996.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

10. Status of Separate Account

(1) Separate Account Assets by Products

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
	Amount	Amount
Individual variable insurance	28,078	28,175
Individual variable annuities	-	-
Group annuity products	-	-
Total	28,078	28,175

(2) Individual Variable Insurance (Separate Account)

(i) Sum Insured of Policies in Force

	As of March 31, 2021		As of March 31, 2022	
	Number of policies (Thousands)	Amount (Millions of Yen)	Number of policies (Thousands)	Amount (Millions of Yen)
Individual variable insurance (fixed term)	-	-	-	-
Individual variable insurance (whole life)	12	89,766	12	86,879
Total	12	89,766	12	86,879

(ii) Breakdown of Separate Account Assets for Individual Variable Insurance

(Millions of Yen)

	As of March 31, 2021		As of March 31, 2022	
	Amount	Percentage	Amount	Percentage
Cash, deposits, call loans	1,676	6.0	1,475	5.2
Securities	26,307	93.7	26,601	94.4
Domestic bonds	6,128	21.8	6,733	23.9
Domestic stocks	9,011	32.1	7,914	28.1
Foreign securities	11,167	39.8	11,953	42.4
Foreign bonds	3,450	12.3	3,684	13.1
Foreign stocks and other foreign securities	7,716	27.5	8,269	29.3
Other securities	-	-	-	-
Loans	-	-	-	-
Others	94	0.3	98	0.4
Allowance for possible loan losses	-	-	-	-
Total	28,078	100.0	28,175	100.0

(iii) Investment Income and Expenses of Separate Account for Individual Variable Insurance

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
	Amount	Amount
Interest, dividends and other income	440	518
Gains on sales of securities	3,096	3,526
Gains on redemptions of securities	-	-
Gains on valuation of securities	5,174	3,268
Foreign exchange gains	32	36
Gains on derivative financial instruments	-	-
Other investment income	0	0
Losses on sales of securities	1,694	1,327
Losses on redemptions of securities	13	1
Losses on valuation of securities	1,252	3,787
Foreign exchange losses	43	33
Losses on derivative financial instruments	-	-
Other investment expenses	0	0
Net Investment Income	5,740	2,199

(3) Individual Variable Annuities (Separate Account)

The Company does not have individual variable annuity contracts in force.

11. Status of the Company, Subsidiaries and Affiliates

(1) Selected Financial Data

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income	604,297	610,408
Ordinary profit	34,950	29,321
Net surplus attributable to the Parent Company	21,430	19,685
Comprehensive income	137,508	(20,254)

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Total assets	5,540,449	5,502,292
Solvency margin ratio	992.4%	982.2%

(2) Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Assets:		
Cash and deposits	44,149	47,030
Call loans	113,000	111,000
Monetary claims bought	25,094	22,534
Securities	4,598,851	4,536,365
Loans	303,451	311,416
Tangible fixed assets:	378,046	369,142
Land	221,081	216,027
Buildings	150,539	146,679
Lease assets	1,459	2,194
Construction in progress	1,589	1,175
Other tangible fixed assets	3,376	3,065
Intangible fixed assets:	29,941	33,255
Software	16,935	23,347
Other intangible fixed assets	13,006	9,907
Agency accounts receivable	14	11
Reinsurance receivables	987	6,788
Other assets	46,670	64,605
Net defined benefit assets	494	524
Deferred tax assets	152	168
Customers' liabilities under acceptances and guarantees	1	-
Allowance for possible loan losses	(406)	(550)
Total assets	5,540,449	5,502,292
Liabilities:		
Policy reserves and other reserves:	4,477,995	4,426,229
Reserve for outstanding claims	28,572	32,025
Policy reserves	4,419,372	4,365,560
Reserve for dividends to policyholders	30,050	28,644
Reinsurance payables	680	776
Bonds payable	127,773	102,424
Other liabilities	295,766	378,694
Net defined benefit liabilities	32,914	32,852
Reserve for price fluctuation	45,680	48,210
Deferred tax liabilities	22,354	2,913
Deferred tax liabilities for land revaluation	16,268	15,711
Acceptances and guarantees	1	-
Total liabilities	5,019,435	5,007,812
Net assets:		
Foundation funds	91,000	91,000
Reserve for redemption of foundation funds	166,000	166,000
Reserve for revaluation	281	281
Consolidated surplus	97,154	111,982
Total foundation funds and others	354,436	369,264
Net unrealized gains (losses) on available-for-sale securities, net of tax	213,201	173,938
Land revaluation differences	(45,354)	(46,739)
Accumulated remeasurements of defined benefit plans	(1,349)	(2,077)
Total accumulated other comprehensive income	166,497	125,121
Non-controlling interests	79	94
Total net assets	521,014	494,480
Total liabilities and net assets	5,540,449	5,502,292

(3) Unaudited Consolidated Statements of Income and Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Ordinary income:	604,297	610,408
Premium and other income	391,410	395,434
Investment income:	146,309	144,550
Interest, dividends and other income	117,912	120,142
Gains on sales of securities	15,249	11,950
Gains on redemption of securities	77	317
Foreign exchange gains	387	3,067
Other investment income	6,941	6,872
Investment gains on separate accounts	5,740	2,199
Other ordinary income	66,577	70,423
Ordinary expenses:	569,347	581,087
Claims and other payments:	385,384	382,521
Claims	112,015	107,517
Annuities	122,158	116,767
Benefits	68,241	73,011
Surrender benefits	77,538	79,236
Other payments	5,431	5,988
Provision for policy reserves and other reserves:	3	3,456
Provision for reserve for outstanding claims	-	3,453
Provision for interest on policyholders' dividend reserves	3	3
Investment expenses:	34,559	36,655
Interest expenses	4,470	4,876
Losses on trading securities	485	1,133
Losses on sales of securities	5,520	11,177
Losses on valuation of securities	19	273
Losses on redemption of securities	65	48
Losses on derivative financial instruments	8,898	2,510
Provision for allowance for possible loan losses	10	141
Depreciation of rental real estate and other assets	5,503	5,511
Other investment expenses	9,584	10,981
Operating expenses	115,565	123,403
Other ordinary expenses	33,833	35,050
Ordinary profit	34,950	29,321
Extraordinary gains:	275	2,928
Gains on disposal of fixed assets	146	2,925
Other extraordinary gains	129	3
Extraordinary losses:	8,605	6,561
Losses on disposal of fixed assets	1,484	2,751
Impairment losses	2,971	1,149
Provision for reserve for price fluctuation	2,450	2,530
Losses on reduction entry of real estate	5	-
Other extraordinary losses	1,694	130
Surplus before income taxes	26,620	25,687
Income taxes-current	10,226	10,963
Income taxes-deferred	(5,074)	(5,012)
Total income taxes	5,152	5,950
Net surplus	21,467	19,737
Net surplus attributable to non-controlling interests	37	51
Net surplus attributable to the Parent Company	21,430	19,685

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net surplus	21,467	19,737
Other comprehensive income:	116,040	(39,991)
Net unrealized gains (losses) on available-for-sale securities, net of tax	115,575	(39,263)
Remeasurements of defined benefit plans	465	(728)
Comprehensive income:	137,508	(20,254)
Comprehensive income attributable to the Parent Company	137,471	(20,305)
Comprehensive income attributable to non-controlling interests	37	51

(4) Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2021	Year ended March 31, 2022
I. Cash flows from operating activities		
Surplus before income taxes	26,620	25,687
Depreciation of rental real estate and other assets	5,503	5,511
Depreciation	11,905	12,811
Impairment losses	2,971	1,149
Increase (decrease) in reserve for outstanding claims	(806)	3,453
Increase (decrease) in policy reserves	(48,624)	(53,812)
Provision for interest on policyholders' dividend reserves	3	3
Increase (decrease) in allowance for possible loan losses	10	141
Increase (decrease) in net defined benefit liabilities	(1,677)	(1,008)
Increase (decrease) in reserve for price fluctuation	2,450	2,530
Interest, dividends and other income	(117,912)	(120,142)
(Gains) losses on securities	(14,976)	(1,833)
(Gains) losses on derivative financial instruments	8,898	2,510
Interest expenses	4,470	4,876
Foreign exchange (gains) losses, net	(387)	(3,067)
(Gains) losses on tangible fixed assets	952	(636)
(Increase) decrease in reinsurance receivables	(540)	(5,801)
(Increase) decrease in other assets except from investing and financing activities	(2,837)	(3,396)
Increase (decrease) in reinsurance payables	117	95
Increase (decrease) in other liabilities except from investing and financing activities	2,312	(437)
Others, net	(4,344)	4,050
Subtotal	(125,891)	(127,314)
Interest, dividends and other income received	124,006	121,824
Interest paid	(4,343)	(5,178)
Dividends to policyholders paid	(3,820)	(3,562)
Income taxes (paid) refunded	(9,286)	(11,462)
Net cash provided by (used in) operating activities	(19,335)	(25,694)
II. Cash flows from investing activities		
Purchases of monetary claims bought	(93)	-
Proceeds from sales and redemptions of monetary claims bought	1,899	2,573
Purchases of securities	(415,682)	(438,244)
Proceeds from sales and redemptions of securities	441,355	559,515
Disbursements for loans	(41,265)	(55,639)
Proceeds from collections of loans	115,364	50,961
Proceeds from derivative financial instruments	(47,257)	(49,969)
Increase (decrease) in payables under securities borrowing transactions	(884)	737
Others, net	(485)	(1,133)
①Total of investing activities	52,949	68,801
[I + ①]	33,614	43,106
Purchases of tangible fixed assets	(10,079)	(8,703)
Proceeds from sales of tangible fixed assets	1,501	8,084
Others, net	(9,608)	(11,328)
Net cash provided by (used in) investing activities	34,763	56,854
III. Cash flows from financing activities		
Redemption of debt borrowing	(10,000)	-
Proceeds from issuance of bonds	39,477	15,000
Redemption of bonds	-	(40,349)
Payment of interest on foundation funds	(4,081)	(4,089)
Dividends paid to non-controlling interests	(38)	(36)
Others, net	(863)	(803)
Net cash provided by (used in) financing activities	24,494	(30,279)
IV. Net increase (decrease) in cash and cash equivalents	39,922	880
V. Cash and cash equivalents at the beginning of the year	117,227	157,149
VI. Cash and cash equivalents at the end of the year	157,149	158,030

(5) Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2021

(Millions of Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	91,000	166,000	281	81,429	338,711
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,794)	(1,794)
Payment of interest on foundation funds				(4,081)	(4,081)
Net surplus attributable to the Parent Company				21,430	21,430
Reversal of land revaluation differences				171	171
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	15,725	15,725
Ending balance	91,000	166,000	281	97,154	354,436

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	97,625	(45,183)	(1,814)	50,627	81	389,420
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,794)
Payment of interest on foundation funds						(4,081)
Net surplus attributable to the Parent Company						21,430
Reversal of land revaluation differences						171
Net changes, excluding foundation funds and others	115,575	(171)	465	115,869	(1)	115,868
Net changes in the fiscal year	115,575	(171)	465	115,869	(1)	131,593
Ending balance	213,201	(45,354)	(1,349)	166,497	79	521,014

Year ended March 31, 2022

(Millions of Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	91,000	166,000	281	97,154	354,436
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,153)	(2,153)
Payment of interest on foundation funds				(4,089)	(4,089)
Net surplus attributable to the Parent Company				19,685	19,685
Reversal of land revaluation differences				1,384	1,384
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	-	-	-	14,827	14,827
Ending balance	91,000	166,000	281	111,982	369,264

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	213,201	(45,354)	(1,349)	166,497	79	521,014
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,153)
Payment of interest on foundation funds						(4,089)
Net surplus attributable to the Parent Company						19,685
Reversal of land revaluation differences						1,384
Net changes, excluding foundation funds and others	(39,263)	(1,384)	(728)	(41,375)	14	(41,360)
Net changes in the fiscal year	(39,263)	(1,384)	(728)	(41,375)	14	(26,533)
Ending balance	173,938	(46,739)	(2,077)	125,121	94	494,480

I. Presentation of Unaudited Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asahi Mutual Life Insurance Company (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Insurance Business Act of Japan and its related rules and regulations applicable to the mutual life insurance industry and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts of less than one million yen have been eliminated. As a result, total amounts in yen shown herein do not necessarily agree with the sum of the individual amounts.

The Insurance Business Act shall prescribe the disclosure of a single fiscal year. The Company provides the disclosure of comparative financial information corresponding to each comparative fiscal year in the presented financial statements for use by readers outside Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2022 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
Nanairo Life Insurance Co., Ltd.

The major unconsolidated subsidiary is Asahi Real Estate Management Co., Ltd.

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2022. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company’s group, these companies are excluded from the consolidation.

(2) Application of equity method

Unconsolidated subsidiaries (such as Asahi Real Estate Management Co., Ltd, etc.) are immaterial in terms of their impact on consolidated net income and surplus, and also

immaterial as a whole, therefore, the equity method is not applied.

(3) Fiscal year-end of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries is March 31.

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Unaudited Consolidated Balance Sheet

1. Significant Accounting Policies

(1) Valuation methods of securities

The valuation of securities, including deposits and monetary claims bought which are equivalent to securities is as follows:

- i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.
- ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.
- iii) Policy-reserve-matching bonds, which are in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (“JICPA”)), are stated at amortized cost (straight-line method) determined by the moving average method.
- iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.
- v) Available-for-sale securities except for the following are stated at fair market value based on the market prices at the balance sheet date, of which costs of sales are determined by the moving average method. Available-for-sale securities, of which public and corporate bonds including foreign bonds with the difference between acquisition cost and face value considered as an adjustment of interest, are stated at amortized cost (straight-line method) determined by the moving average method. Stocks and others without a market price are stated at cost determined by the moving average method. Net unrealized gains or losses on these available-for-sale securities, net of tax, are recorded as a separate component of net assets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance and individual annuities as policy-reserve-matching bonds in accordance with “Temporary Treatment of Accounting and

Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry” (Industry Audit Committee Report No. 21 issued by the JICPA).

Since the fiscal year ended March 31, 2022, the Company changed its liability cash flow, which is the premise of assessing the duration to outstanding insurance liabilities, from a “Term of future 30 years” to a “Whole period” for the sub-group including Individual life Insurance and Individual Annuities (excluding Whole Life Insurance with variable interest rate accumulation, Accumulation Insurance with variable interest rates and New Single Premium Individual Annuity effective on and after April 2, 2012). This change did not have any effects on the consolidated balance sheet and consolidated statement of income as of and for the fiscal year ended March 31, 2022.

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

The Company revalued the land for business purposes based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998). The difference between fair value and book value resulting from the revaluation, net of related taxes, is recorded as land revaluation differences as a separate component of net assets and the related tax is recorded as deferred tax liabilities for revaluation.

■ Date of revaluation: March 31, 2001

■ Method of revaluation as prescribed for in Article 3, Paragraph 3 of the said Act:

The calculation is based on the publicly announced appraisal value with certain adjustments set forth in Article 2, Item 1 of the Enforcement Ordinance of the Act on Revaluation of Land (Government Ordinance No. 119 promulgated on March 31, 1998) or the appraisal value determined by the real-estate appraiser set forth in Article 2, Item 5 of the said Ordinance with certain reasonable adjustments.

(5) Depreciation of tangible fixed assets

Depreciation of the Company’s tangible fixed assets is calculated by the following methods.

■ Tangible fixed assets (excluding lease assets): Declining-balance method

However, buildings are depreciated using the straight-line method.

■ Lease assets related to finance lease transactions that do not transfer ownership: Straight-line method over the lease term with no residual value

(6) Foreign currency translation

Foreign currency-denominated assets and liabilities (excluding the shares of unconsolidated subsidiaries and affiliates) are translated into Japanese yen at the effective exchange rate prevailing at the balance sheet date.

(7) Allowance for possible loan losses

Allowance for possible loan losses is provided in accordance with the Company's standards of self-assessment and write-offs and reserves on credit quality:

- i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.
- iii) For credit to borrowers other than the above, the Company provides the amounts calculated by multiplying the book value by the actual ratio of bad debt losses on defaults during a certain past period.

All credit is assessed by the relevant departments in accordance with the Company's standards of self-assessment on credit quality. The results of the assessment are reviewed by the audit department, which is independent of business-related divisions. Subsequently, allowance for possible loan losses is provided based on the results of these assessments.

For consolidated subsidiaries, the Company records the allowance amounts deemed necessary in accordance mainly with the Company's standards of self-assessment and write-offs and reserves on credit quality.

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amount written-off as of March 31, 2022 was ¥24 million.

(8) Accounting for employees' retirement benefits and method of amortizing retirement benefit expenses

Net defined benefit liabilities and assets are presented for the employees' retirement benefits after deducting pension plan assets from retirement benefit obligations, based on estimated amounts as of the balance sheet date.

The Company uses the following methods of accounting in relation to retirement benefits.

- The retirement benefit obligation is attributed to each period by the benefit formula method.
- Actuarial differences are amortized under the straight-line method over a period of seven years starting the following year.
- Prior service cost is charged to income when incurred.

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated in accordance with Article 115 of the Insurance Business Act.

(10) Accounting for hedging activities

Hedging activities are accounted for in accordance with the “Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10).

The Company mainly applies the following hedging activities:

The Company applies deferred hedge accounting and the exceptional accounting treatment (“Tokurei-shori”) for interest rate swaps used to hedge the cash flow volatility of certain loans.

The Company also applies fair value hedge accounting for hedging activities related to foreign exchange rate fluctuation exposures on certain bonds, investment trusts and others denominated in foreign currencies.

The Company also applies designated hedge accounting (“Furiate-shori”) for currency swaps used to hedge foreign exchange rate fluctuation exposures on the foreign currency-denominated bonds issued by the Company.

The Company also applies designated hedge accounting (“Furiate-shori”) for the foreign currency-denominated transactions other than the above.

The effectiveness of a hedge is mostly assessed by a ratio analysis, comparing the fluctuations in the fair value or cash flows of hedged items and hedging instruments.

(11) Accounting for consumption taxes

The Company and its subsidiaries account for consumption tax and local consumption tax by the tax-exclusion method. The consumption taxes on certain assets, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Corporation Tax Act of Japan, are deferred as prepaid expenses and amortized equally over five years.

Consumption taxes other than deferred consumption taxes are recognized as an expense when incurred.

(12) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) is recorded in principle for insurance policies for which insurance premium has been received and the insurer’s liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Reinsurance revenue

Reinsurance revenue is recorded as reinsurance claims and others received based on the proportion ceded in reinsurance and others stipulated in the reinsurance contracts in the reporting period when the income and expenditure for ceded insurance policies (hereinafter “reinsurance ceded”) are recorded.

For modified coinsurance, ceding commissions which are received as part of amounts equivalent to new policy acquisition costs for reinsurance ceded are recorded as reinsurance revenue, while the same amounts are recorded as reinsurance receivables as unamortized ceding commissions and amortized over the period of the reinsurance contracts.

(14) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims is set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events has not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

(15) Reinsurance premiums

Reinsurance premiums are recorded as reinsurance premiums paid based on the proportion ceded in reinsurance and others stipulated in the reinsurance contracts in the reporting period when the income and expenditure for reinsurance ceded are recorded.

Part of policy reserves and reserve for outstanding claims corresponding to insurance policies which have been reinsured is not set aside in accordance with Article 71, Paragraph 1 and Article 73, paragraph 3 of the Enforcement Regulation of the Insurance Business Act.

(16) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer’s liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are calculated by the following method:

In regard to the policies subject to the standard policy reserves, the method as prescribed by the Commissioner of Financial Services Agency (Japanese Ministry of Finance Public Notice No. 48, 1996) is applied.

In regard to the policies not subject to the standard policy reserves, the net level premium method is applied.

Regarding policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(17) Impairment losses of tangible fixed assets

Impairment losses of the Company's tangible fixed assets are calculated by the following methods.

i) Calculation method

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent, real estate not in use and real estate scheduled to be sold are classified as one group individually. As for real estate used for multiple purposes, the asset group to which the real estate belongs is decided depending on usage rate and others.

The Company identifies signs of impairment losses in asset groups when earnings from business operations using the asset groups continuously become negative.

As for asset groups for which signs of impairment losses are identified, when total amounts of undiscounted net future cash flows from the asset groups are less than their book values, the Company recognizes impairment losses and reduce the book values to their recoverable amounts.

The recoverable amounts of real estate and other assets for insurance business operation and real estate for rent are determined at value in use or net realizable value. The recoverable amounts of real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the discounted present value of estimated net future cash flows and discount rate used in the calculation is based on the cost of capital.

Net realizable value is calculated based on the appraisal value in accordance with "Real Estate Appraisal Standards" or the publicly announced appraisal value after deducting expected disposal costs.

ii) Key assumptions

Key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are usage plans considering current status of use of asset groups, including tenancy rates, rents and others. These assumptions may be affected by economic condition and changes specific to asset groups.

iii) Effects on financial statements for the following fiscal year

While the Company considers key assumptions for the estimated net future cash flows which are used in recognizing impairment losses and calculating value in use are best estimate based on available information including external information, impairment losses may occur in the following fiscal year due to future uncertainties.

Furthermore, the appraisal value in accordance with “Real Estate Appraisal Standards” may be affected by future real estate market trends. In case that net realizable value decreases as a result of this, impairment losses may occur in the following fiscal year.

(18) Software

Capitalized software for internal use owned by the Company and its subsidiaries (included in intangible fixed assets in the consolidated balance sheet) is amortized using the straight-line method over the estimated useful lives.

2. Accounting Changes

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019) and others from the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively. As a result, available-for-sale securities, of which domestic listed stocks, domestic stock exchange-traded funds, domestic listed real estate investment trusts, foreign stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied, are changed to be stated at fair value based on the market prices at the balance sheet date from fair value based on the average of the market prices during the final month of the fiscal year.

In determining to recognize impairment losses on available-for-sale securities, the Company has used fair value based on the average of market prices during the final month of fiscal year as before.

3. Accounting Standards Issued but Not Yet Effective

The Company and part of its subsidiaries made a request for approval for the application of the group tax sharing system in December 2021 and it is decided to be applied from the fiscal year ending March 31, 2023.

The accounting standard and relevant implementation guidance issued by the fiscal year-end but not yet effective is the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No.42) and its contents are as follows:

i) Overview

The practical solution was issued to stipulate the accounting and disclosure treatment of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system, following the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8, 2020) enacted on March 27, 2020 which requires revision of the consolidated taxation system and transition to the group tax sharing system.

ii) Schedule date of application

The practical solution is scheduled to be applied from the beginning of the fiscal year ending March 31, 2023.

iii) Effects of application of the practical solution

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

4. Changes in Reporting Method

Following the revision of the Enforcement Regulation of the Insurance Business Act, claims to be disclosed are classified in the revised categories in the following “Note 9. Claims”.

5. Financial Instruments

Asset management of the general accounts other than the separate accounts stipulated in Article 118, Paragraph 1 of the Insurance Business Act is conducted based on the following principles.

- For accumulation whole life with variable interest rates, accumulation insurance with variable interest rates and new single premium individual annuities which have an effective date on or after April 2, 2012, the Company mainly invests in domestic bonds, engaging in matching asset liability management, or Matching ALM, which aims at matching the duration to outstanding insurance liabilities to avoid interest rate fluctuation risks.
- For individual life insurance and individual annuities other than above, the Company holds yen-denominated fixed income investments, including bonds and loans, as the core of its asset portfolio. The Company also holds domestic stocks, foreign securities and real estate assets to enhance its profitability.

Derivatives are mainly used to hedge market price fluctuation risk and exchange rate fluctuation risk regarding securities and exchange rate fluctuation risk related to the foreign currency-denominated bonds issued by the Company. As the major financial instruments, securities are exposed to market risk and credit risk, loans are exposed to credit risk and exchange rate fluctuation risk, and derivatives are exposed to market risk and credit risk.

In managing market risks, the following two methods are used. One is the quantitative risk management of securities etc. using the Value at Risk (“VaR”) method and the other is the risk management by stress test and sensitivity analysis which analyze the effect on the Company’s whole portfolio, simulating scenarios of deteriorating market environments. This is for the

purpose of managing an appropriate asset allocation within the ranges of acceptable risks.

In managing credit risks, the Company quantifies the credit risks of entire portfolio through VaR method and controls the amount of risks within an acceptable range. Furthermore, the Company assigns in-house credit ratings to our borrowers in accordance with the creditworthiness of each borrower. Strict credit research of each borrower before lending as well as following up on any changes of creditworthiness of each borrower after lending are implemented by Risk Management Department, which is independent of the departments executing investments and lending. Maximum limits of credit are set up for each borrower in accordance with its credit risks to avoid the concentration of credit risks on specific corporations and specific corporation groups. Through all these measures, the Company endeavors to develop high quality portfolio.

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2022 were as follows. The following table does not include cash and deposits, call loans and payables under securities borrowing transactions which are mostly settled in a short term and their fair values approximate their book values.

	Millions of Yen		
	As of March 31, 2022		
	Balance Sheet Amount	Fair Value	Difference
Monetary claims bought	¥ 22,534	¥ 24,255	¥ 1,720
Held-to-maturity debt securities	21,577	23,297	1,720
Available-for-sale securities	957	957	-
Securities	4,470,196	4,630,893	160,696
Trading securities	26,601	26,601	-
Held-to-maturity debt securities	280,070	310,342	30,272
Policy-reserve-matching bonds	2,028,714	2,159,139	130,424
Available-for-sale securities	2,134,809	2,134,809	-
Loans	311,416	317,500	6,083
Policy loans	32,199	32,199	-
Industrial and consumer loans	279,217	285,301	6,083
Total assets	4,804,147	4,972,648	168,501
Bonds payable	102,424	103,200	776
Loans payable	41,000	42,260	1,260
Total liabilities	143,424	145,460	2,036
Derivative financial instruments	(89,485)	(89,485)	-
Hedge accounting not applied	(2,555)	(2,555)	-
Hedge accounting applied	(86,930)	(86,930)	-

* Assets and liabilities generated by derivative financial instruments are offset and presented net.
Net liabilities in total are presented in parentheses.

Unlisted stocks and others, including investments in subsidiaries and affiliates, without market prices are not included in the table above. The amount of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheet was ¥22,156 million as of March 31, 2022.

Investments in partnerships and others for which transitional measures are applied in accordance with Paragraph 27 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the

table above. The amount of the investments in partnerships and others, reported in the consolidated balance sheet was ¥44,012 million as of March 31, 2022.

6. Matters concerning fair value of major financial instruments and breakdown by input level

Fair values of financial instruments are categorized into the following three levels in accordance with the observability and significance of the inputs used to measure the fair value.

Level 1: Fair values measured by unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by inputs which are directly or indirectly observable other than Level 1 inputs

Level 3: Fair values measured by significant unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

(1) Financial assets and liabilities recorded at fair values on the consolidated balance sheet

	Millions of Yen			
	As of March 31, 2022			
	Fair Value			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥ -	¥ -	¥ 957	¥ 957
Available-for-sale securities	-	-	957	957
Securities *1	580,435	1,169,127	29,482	1,779,045
Trading securities	24,719	1,882	-	26,601
National government bonds and local government bonds	5,830	-	-	5,830
Corporate bonds	-	902	-	902
Domestic stocks	7,914	-	-	7,914
Foreign stocks	8,269	-	-	8,269
Foreign bonds	2,705	979	-	3,684
Available-for-sale securities	555,716	1,167,245	29,482	1,752,444
National government bonds and local government bonds	39,829	685	-	40,514
Corporate bonds	-	426,840	-	426,840
Domestic stocks	413,036	-	-	413,036
Foreign bonds	102,850	739,719	29,482	872,053
Total assets	580,435	1,169,127	30,440	1,780,003
Derivative financial instruments *2	-	(89,755)	270	(89,485)
Currency-related	-	(89,755)	-	(89,755)
Interest-related	-	-	270	270

*1 Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not included in the table above. The balance sheet amount of the investment trusts was ¥382,365 million as of March 31, 2022.

*2 Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(2) Financial assets and liabilities not recorded at fair values on the consolidated balance sheet

	Millions of Yen							
	As of March 31, 2022							
	Fair Value							
	Level 1	Level 2	Level 3	Total				
Monetary claims bought	¥	–	¥	–	¥	23,297	¥	23,297
Held-to-maturity debt securities		–	–	23,297		23,297		23,297
Securities		1,752,190	592,381	124,909		2,469,481		
Held-to-maturity debt securities		36,939	148,494	124,909		310,342		
National government bonds and local government bonds		36,939	–	–		36,939		
Corporate bonds		–	92,900	–		92,900		
Foreign bonds		–	55,594	124,909		180,503		
Policy-reserve-matching bonds		1,715,251	443,887	–		2,159,139		
National government bonds and local government bonds		1,715,251	51,082	–		1,766,334		
Corporate bonds		–	392,804	–		392,804		
Loans		–	–	317,500		317,500		
Policy loans		–	–	32,199		32,199		
Industrial and consumer loans		–	–	285,301		285,301		
Total assets		1,752,190	592,381	465,707		2,810,279		
Bonds payable		–	103,200	–		103,200		
Loans payable		–	–	42,260		42,260		
Total liabilities		–	103,200	42,260		145,460		

(3) Description of the evaluation methods and inputs used to measure fair value

- i) Securities including monetary claims bought which are treated as securities based on “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

Fair values of securities for which unadjusted quoted market prices in active markets are available are categorized as Level 1, which mainly include listed stocks and government bonds. In the case the market is inactive even if the quoted market price is available, those securities are categorized as Level 2, which mainly include corporate bonds and foreign bonds. In the case the quoted market price is not available, fair values are measured by evaluation methods such as discounting future cash flows. In evaluation, the Company maximizes the use of observable inputs including swap rates, interest rate swap spreads, currency basis and others. When significant unobservable inputs are used to measure fair values, those securities are categorized as Level 3.

Fair values of investment trusts are measured at the disclosed net asset value and others. Investment trusts for which transitional measures are applied in accordance with Paragraph 26 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued on July 4, 2019) are not categorized into any level.

- ii) Loans

As credit exposure for policy loans without specific repayment periods is limited to the

amount of the cash surrender value, the Company considers book value as fair value with assumption that fair value approximates book value in light of factors such as projected repayment period and interest terms. Policy loans are categorized as level 3.

As for industrial and consumer loans, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value by type of loan, using market interest rates with some adjustments based on internal credit rating. Industrial and consumer loans are categorized as level 3. The fair value of loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers is stated at the amounts by deducting estimated losses from the book value before direct write-offs. Loans to legally bankrupt borrowers, substantially bankrupt borrowers and not currently bankrupt borrowers are categorized as level 3.

iii) Bonds payable

The fair value of bonds payable issued by the Company is stated at fair market value. Bonds payable issued by the Company are categorized as level 2. The fair value of bonds payable for which designated hedge accounting (“Furiate-shori”) for currency swaps are applied is stated at fair market value added by the fair value of currency swaps. The Company adopts prices obtained from external information vendors as the fair value of currency swaps.

iv) Loans payable

As for loans payable, the fair value of loans is stated at theoretical prices calculated by discounting the future cash flows to the present value, using market interest rates with some adjustments based on the Company’s credit risk. Loans payable are categorized as level 3.

v) Derivative financial instruments

As for derivative financial instruments, the fair values of foreign currency forward contracts are stated at theoretical prices calculated by the Company based on the TTM at the balance sheet date. The fair values of currency options, stock options and interest rate swaptions are stated at the quoted prices offered by counterparty financial institutions.

In evaluation of derivative financial instruments, the Company maximizes the use of observable inputs. In the case unobservable inputs are not used or impact of unobservable inputs are not material, derivative financial instruments are categorized as level 2. In the case significant unobservable inputs are used, derivative financial instruments are categorized as level 3.

(4) Quantitative information about financial assets and liabilities measured and stated in the consolidated balance sheet at fair value and categorized as Level 3

i) Quantitative information on significant unobservable inputs

Quoted prices obtained from third parties are used for fair values categorized as level 3 without adjustment.

ii) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized as gains (losses) for the fiscal year

Year ended March 31, 2022	Millions of Yen			
	Monetary claims bought	Securities		Derivative financial instruments
	Available-for- sale securities	Available-for- sale securities	Total (i) + (ii)	
	Others (i)	Foreign bonds (ii)		Stock-related
Beginning balance	¥ 969	¥ 26,853	¥ 27,822	¥ -
Gains (losses) and other comprehensive income for the fiscal year:	16	75	91	(24)
Gains (losses) recorded for the fiscal year *1	(20)	2,406	2,385	(24)
Other comprehensive income recorded for the fiscal year *2	36	(2,330)	(2,293)	-
Net amount of purchase, sale, issue, and settlement	(28)	10,711	10,682	294
Transfer to fair values of Level 3	-	-	-	-
Transfer from fair values of Level 3 *3	-	(8,157)	(8,157)	-
Ending balance	957	29,482	30,440	270
Net unrealized gains (losses) on financial assets and liabilities held at the balance sheet date among the amount recorded to gains (losses) for the fiscal year *1	-	2,406	2,406	(24)

*1 Those amounts are included in investment income and investment expenses in the consolidated statement of income.

*2 Those amounts are included in net unrealized gains (losses) on available-for-sale securities, net of tax in other comprehensive income in the consolidated statement of comprehensive income.

*3 Those amounts are transferred from level 3 to level 2 since it has become possible to obtain observable data. Those transfers were made at the end of the fiscal year.

iii) Description of the fair value evaluation process

The Company establishes policies and procedures for measuring the fair value in the actuarial and accounting department and the risk management department. In accordance with these policies and procedures, the risk management department measures the fair value. The validity of the evaluation methods and inputs used to measure fair value and the appropriateness of categorization of fair value are verified in the independent division in the risk management department.

In fair value measurement, valuation models in which the nature, characteristics and risks of individual assets are most appropriately reflected are used. In addition, when quoted prices obtained from third parties are used, the validity of the prices is verified by appropriate methods such as confirmation of evaluation method and used inputs and comparison with the fair values of similar financial instruments.

7. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amount and the fair value of investment and rental properties were ¥239,331 million and ¥283,478 million as of March 31, 2022. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

8. Securities Lent under Lending Agreements

The amount of securities lent under lending agreements was ¥218,367 million as of March 31, 2022.

9. Claims

The total amount of claims against bankrupt and quasi-bankrupt obligors, claims with collection risk, delinquent loans three or more months past due and restructured loans, which were included in claims, was ¥609 million as of March 31, 2022.

- i) Claims against bankrupt and quasi-bankrupt obligors were ¥453 million as of March 31, 2022.
- ii) Claims with collection risk were ¥70 million as of March 31, 2022.
- iii) Delinquent loans three or more months past due were ¥66 million as of March 31, 2022.
- iv) Restructured loans were ¥20 million as of March 31, 2022.

Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.

Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors.

Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, excluding those claims classified as claims against bankrupt and quasi-bankrupt obligors and claims with collection risk.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes claims classified as claims against bankrupt and quasi-bankrupt obligors, claims with collection risk and delinquent loans three or more months past due.

The direct write-offs related to claims decreased the amount of claims against bankrupt and quasi-bankrupt obligors described above by ¥24 million as of March 31, 2022.

10. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥286,793 million as of March 31, 2022.

11. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,175 million as of March 31, 2022. The amounts of separate account liabilities were the same as separate account assets.

12. Reserve for Dividends to Policyholders

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2022</u>
Balance at the beginning of the fiscal year	¥ 30,050
Transfer to reserve from surplus in the previous fiscal year	2,153
Dividends to policyholders paid out during the fiscal year	3,562
Increase in interest	3
Balance at the end of the fiscal year	<u>¥ 28,644</u>

13. Stocks of Unconsolidated Subsidiaries and affiliates

The amount of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2022 was ¥7,888 million.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2022 were securities in the amount of ¥80,591 million.

15. Unamortized Ceding Commissions

The amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2022 was ¥6,391 million.

16. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market value of these assets that were not sold or pledged as collateral as of March 31, 2022 was ¥25,709 million. No assets were pledged as collateral as of March 31, 2022.

17. Commitment Line

As of March 31, 2022, there were unused commitment line agreements under which the Company is the lender of ¥13,947 million.

18. Subordinated Bonds Payable

As of March 31, 2022, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

19. Subordinated Loans Payable

As of March 31, 2022, other liabilities included subordinated loans payable of ¥41,000 million, for which the repayments are subordinated to other obligations.

20. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2022 were ¥8,260 million. These contributions are charged as operating expenses in the fiscal years in which they are paid.

21. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2022</u>
Deferred tax assets	¥ 70,651
Valuation allowance for deferred tax assets	<u>15,332</u>
Subtotal	<u>55,319</u>
Deferred tax liabilities	<u>58,064</u>
Net deferred tax assets (liabilities)	<u>¥ (2,745)</u>

Major components of deferred tax assets/liabilities were as follows:

	<u>Millions of Yen</u>
	<u>As of</u>
	<u>March 31, 2022</u>
Deferred tax assets	
Contingency reserve	¥ 21,797
Reserve for price fluctuation	13,450
Net defined benefit liabilities	9,165
Impairment losses	7,223
Net unrealized losses on available-for-sale securities	4,394
IBNR reserves	<u>3,944</u>
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	<u>¥ 56,417</u>

- (2) The statutory tax rate was 27.9% for the fiscal year ended March 31, 2022. The main factors causing the difference between the statutory tax rate and the actual effective tax rate after considering deferred taxes were as follows:

	<u>Year ended</u>
	<u>March 31, 2022</u>
Interest on foundation funds	(4.4)%

22. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

As defined benefit plan, the Company and its consolidated subsidiaries have defined benefit corporate pension plans, which are funded-type, and lump-sum retirement allowance plans which are non-funded type but resulted in funded type due to setting of employee pension trust.

(2) Defined benefit plan

i) Reconciliation of beginning and ending balance of retirement benefit obligations

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2022</u>
Retirement benefit obligations at the beginning of the fiscal year	¥ 41,202
Service cost	1,889
Interest cost	407
Actuarial difference occurred during the fiscal year	520
Retirement benefit payments	(3,622)
Retirement benefit obligations at the end of the fiscal year	<u>¥ 40,397</u>

ii) Reconciliation of beginning and ending balance of pension plan assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2022</u>
Pension plan assets at the beginning of the fiscal year	¥ 8,782
Expected return on pension plan assets	80
Actuarial difference occurred during the fiscal year	(818)
Contributions by the employer	242
Retirement benefit payments	(217)
Pension plan assets at the end of the fiscal year	<u>¥ 8,069</u>

iii) Reconciliation of retirement benefit obligation and pension plan assets with net defined benefit liabilities and assets presented on the consolidated balance sheet

	<u>Millions of Yen</u>
	As of
	<u>March 31, 2022</u>
a. Funded plan retirement benefit obligation	¥ 40,397
b. Pension plan assets	<u>(8,069)</u>
c. Net amount of liabilities and assets presented on the consolidated balance sheet	32,327
d. Net defined benefit liabilities	32,852
e. Net defined benefit assets	<u>(524)</u>
f. Net amount of liabilities and assets presented on the consolidated balance sheet	<u>¥ 32,327</u>

iv) Breakdown of retirement benefit expenses

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2022</u>
Service cost	¥ 1,889
Interest cost	407
Expected return on pension plan assets	(80)
Amortization of actuarial differences	<u>329</u>
Retirement benefit expenses related to defined benefit plan	<u>¥ 2,545</u>

v) Breakdown of items included in other comprehensive income

The breakdown of items included in other comprehensive income (before tax effects) was as follows:

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2022</u>
Amortization of actuarial differences	¥ (1,010)
Total	<u>¥ (1,010)</u>

vi) Breakdown of items included in accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax effects) was as follows:

	<u>Millions of Yen</u>
	Year ended
	<u>March 31, 2022</u>
Unrecognized actuarial differences	¥ 2,885
Total	<u>¥ 2,885</u>

vii) Breakdown of main pension plan assets

The breakdown of main asset categories as a percentage of pension plan assets was as follows:

	<u>As of</u> <u>March 31, 2022</u>
Stocks	36%
Bonds	18%
Others	46%
Total	<u>100%</u>

viii) Method for determining the expected long-term rate of return

To determine the expected long-term rate of return on pension plan assets, the Company takes into account the present and future allocation of pension plan assets, and the present and expected future long-term rate of return on the diverse range of assets that makes up the pension assets.

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

	<u>As of</u> <u>March 31, 2022</u>
Discount rate	1.0%
Expected long-term rate of return on pension plan assets	0.8%
Defined benefit corporate pension plans	1.6%

III. Notes to Unaudited Consolidated Statement of Income

1. Investment Income and Expenses

The major components of gains on sales of securities were as follows:

	<u>Millions of Yen</u>	
	<u>Year ended</u>	
	<u>March 31, 2022</u>	
Domestic bonds	¥	4,943
Domestic stocks and other securities		6,239
Foreign securities		767

The major components of losses on sales of securities were as follows:

	<u>Millions of Yen</u>	
	<u>Year ended</u>	
	<u>March 31, 2022</u>	
Domestic bonds	¥	1,073
Domestic stocks and other securities		1,448
Foreign securities		8,655

The major components of losses on valuation of securities were as follows:

	<u>Millions of Yen</u>	
	<u>Year ended</u>	
	<u>March 31, 2022</u>	
Domestic stocks and other securities	¥	272
Foreign securities		1

Losses on trading securities were losses on sales of ¥1,133 million for the fiscal year ended March 31, 2022.

Losses on derivative financial instruments included net valuation gains of ¥641 million for the fiscal year ended March 31, 2022.

2. Reinsurance Revenue and Reinsurance Premiums

The increased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2022 was ¥6,989 million, which was included in reinsurance revenue.

The decreased amount of unamortized ceding commissions for reinsurance contracts stipulated in Article 1, Paragraph 5 of the Japanese Ministry of Finance Public Notice No. 50, 1996 for the fiscal year ended March 31, 2022 was ¥597 million, which was included in reinsurance premiums.

3. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2022, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

The method of grouping is described in “Note 1. (17) Impairment losses of tangible fixed assets” of the consolidated balance sheet.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent, real estate not in use and real estate scheduled to be sold to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2022</u>
Real estate for rent:	
Land	¥ -
Building	-
Total real estate for rent (i)	<u>-</u>
Real estate not in use:	
Land	622
Building	526
Total real estate not in use (ii)	<u>1,149</u>
Real estate scheduled to be sold:	
Land	-
Building	-
Total real estate scheduled to be sold (iii)	<u>-</u>
Total:	
Land	622
Building	526
Total (i) + (ii) + (iii)	<u>¥ 1,149</u>

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.3% for the fiscal year ended March 31, 2022. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

IV. Note to Unaudited Consolidated Statement of Comprehensive Income

Other Comprehensive Income

The reclassification adjustments and tax effect amounts related to other comprehensive income were as follows:

	<u>Millions of Yen</u>
	<u>Year ended</u>
	<u>March 31, 2022</u>
Net unrealized gains (losses) on available-for-sale securities, net of tax	
Amount incurred during the fiscal year	¥ (53,451)
Reclassification adjustments	(530)
Before tax adjustment	(53,982)
Tax effects	14,719
Net unrealized gains (losses) on available-for-sale securities, net of tax	<u>(39,263)</u>
Accumulated remeasurements of defined benefit plans	
Amount incurred during the fiscal year	(1,339)
Reclassification adjustments	329
Before tax adjustment	(1,010)
Tax effects	282
Accumulated remeasurements of defined benefit plans	<u>(728)</u>
Total other comprehensive income	<u>¥ (39,991)</u>

V. Note to Unaudited Consolidated Statement of Cash Flows

Scope of Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present an insignificant risk of changes in value.

(6) Disclosed Claims Based on Insurance Business Act

(Millions of Yen, %)

	As of March 31, 2021	As of March 31, 2022
Claims against bankrupt and quasi-bankrupt obligors	437	453
Claims with collection risk	139	70
Delinquent loans three or more months past due	98	66
Restructured loans	20	20
Subtotal	694	609
(Percentage of total)	(0.12)	(0.11)
Claims against normal obligors	569,541	530,361
Total	570,236	530,971

Notes:

1. Claims against bankrupt and quasi-bankrupt obligors are claims to obligors who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other obligors in serious financial difficulties.
2. Claims with collection risk are claims to obligors with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the claims will be recovered, other than the claims described in note 1. above.
3. Delinquent loans three or more months past due are loans for which interest payments or repayments of principal are delinquent for three months or more from the due dates under the terms of the related loan agreements, other than the claims described in note 1. or 2. above.
4. Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemptions, rescheduling of due dates of principal or interest payments, waivers of claim or other terms, have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses, other than the claims described in note 1., 2. or 3. above.
5. Claims against normal obligors are all other claims.

(7) Consolidated Solvency Margin Ratio

(Millions of Yen)

	As of March 31, 2021	As of March 31, 2022
Total solvency margin (A)	1,054,961	1,021,040
Foundation funds and surplus	343,302	358,018
Reserve for price fluctuation	45,680	48,210
Contingency reserve	62,448	78,125
Catastrophe loss reserve	-	-
General allowance for possible loan losses	101	288
(Net unrealized gains on available-for-sale securities (before tax effect) and deferred hedge gains (before tax effect)) × 90% (in case of losses: × 100%)	252,742	204,157
Net unrealized gains on land × 85% (in case of losses: × 100%)	28,681	29,306
Sum of unrealized actuarial differences and unrealized past service cost	(1,875)	(2,885)
Excess amount of policy reserves based on full-time Zillmer method	141,363	145,556
Qualifying subordinated debt	167,173	141,424
Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin	-	-
Deduction	-	-
Others	15,343	18,839
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	212,597	207,900
Insurance risk R_1	12,613	12,078
Ordinary insurance risk R_5	-	-
Disaster insurance risk R_6	-	-
Third sector insurance risk R_8	10,446	10,963
Small amount short-term insurance provider insurance risk R_9	-	-
Risk of assumed yield R_2	69,446	66,749
Minimum guarantee risk R_7	1,040	1,027
Investment risk R_3	136,232	134,312
Operational risk R_4	4,595	4,502
Solvency margin ratio (A) / {(1/2) × (B)} × 100	992.4%	982.2%

Notes:

- The figures above are calculated based on Articles 86-2 and 88 of the Enforcement Regulation of the Insurance Business Act and the Public Notice No.23 of the Financial Services Agency of 2011.
- "Excess amount of policy reserves based on full-time Zillmer method", "Qualifying subordinated debt" and "Excess amount of policy reserves based on full-time Zillmer method and qualifying subordinated debt excluded from the calculation of solvency margin" are calculated based on the Public Notice No.25 of the Financial Services Agency of 2011.
- "Minimum guarantee risk" is calculated by standard method.

(8) Segment information

The Company and its consolidated subsidiaries operate investment advisory business, etc., in addition to life insurance business in Japan. However, information on these segments and related information are omitted because they represent such a minor proportion of total segments.